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FISCAL IMPACT STATEMENT

LS 6686

BILL NUMBER: HB 1843

NOTE PREPARED: Jan 25, 2005

BILL AMENDED:

SUBJECT: State Spending Cap.

FIRST AUTHOR: Rep. Noe

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a control on state expenditures based on the change in gross Indiana nonfarm personal income as reported by the United States Department of Commerce, Bureau of Economic Analysis. The bill requires the Budget Agency to determine and publish the Indiana nonfarm personal income growth quotient (The IPI growth quotient) in the Indiana Register. The bill also provides for emergency expenditures and provides for mandatory reductions in expenditures. The bill requires the digest of a budget bill or a conference committee report on a budget bill to contain certain information.

Effective Date: July 1, 2004 (retroactive); July 1, 2005.

Explanation of State Expenditures: *Expenditure Limits:* This bill requires the Budget Agency to determine the Indiana nonfarm personal income (IPI) growth index. The IPI growth index is defined as the cumulative growth in Indiana nonfarm personal income since the base year using the average annual change as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. The Budget Agency is to publish this index on the Internet on December 31 of each even-numbered year and on April 15 of each odd-numbered year and in the Indiana Register not later than July 1 of each odd-numbered year. Based on the December 14, 2004, Revenue Forecast, Indiana IPI is expected to grow at 4.3% in FY 2005, 4.8% in FY 2006, and 5.1% in FY 2007.

The bill states that the General Assembly may not appropriate and Budget Agency may not allot more expenditures in a state fiscal year than the base year spending of the controlled state funds adjusted by the IPI growth. This bill defines controlled state funds as the General Fund, the Property Tax Replacement Fund, and the Counter-Cyclical Revenue and Economic Stabilization Fund.

The bill allows an increase in the spending cap, other than by the IPI index, if at least one of the following occurs: (1) a spending responsibility has shifted from another level of government to the state; (2) a spending responsibility has shifted from a fund not limited by this chapter to a limited fund; or (3) there has been an expansion of state services and state spending and a tax increase has been dedicated to these services. The increase in the spending cap requires approval of a two-thirds majority of both the House and Senate.

The bill also sets out procedures for the reduction of the state spending cap under certain conditions.

This bill affects appropriations and allotments for fiscal years beginning FY 2006. The impact of state spending is indeterminable and subject to legislative, executive, and judicial actions.

Budget Bill Requirements: This bill requires that the digest of the conference committee report on the budget bill contain the following information: (1) the total amount of appropriations from controlled state funds; (2) the total amount of appropriations for expenditures subject to general expenditure controls; and (3) the expenditure limit for controlled state funds. This requirement would first apply for the budget bill considered during the 2005 General Assembly.

Explanation of State Revenues:

Explanation of Local Expenditures: Distribution of state revenue to local units of government are dependent on the disposition of state appropriations.

Explanation of Local Revenues:

State Agencies Affected: All; State Budget Agency, General Assembly.

Local Agencies Affected: All.

Information Sources: *GF & PTRF Statement of Combined Estimated Unappropriated Reserve*, December 14, 2004 - State Budget Agency; December 14, 2004, *Revenue Forecast* - Revenue Forecast Technical Committee.

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